



INDIVIDUAL ADJUSTED GROSS INCOME TAX

IC 6-3; 6-3.1

ACCT. NO. 1000-100900-40050

1000-100900-40060; 6070-109000-400600

TAXPAYER: Individuals, partners, stockholders in subchapter S corporations, trusts, estates, and nonresidents with income from sources in Indiana.

TAX BASE: Except for trusts and estates, the base is the federal adjusted gross income with additions of the amounts subtracted on federal returns for interest income, net operating losses derived from sources outside of Indiana, state income taxes, recoveries of previously allowed deductions, and the ordinary income part of certain lump sum distributions that are "averaged" for federal income tax. For trusts and estates, the tax base is the federal taxable income, subtracting only the income that the federal law or Constitution prohibits taxing. Income and deductions are reduced proportionately to apply only to Indiana income for part-year Indiana residents.

DEDUCTIONS AND EXEMPTIONS:

- **Income exempt** under federal law or the Constitution.
- **\$1,000 exemption** for the taxpayer, spouse, and each dependent claimed on the federal return.
- **Additional \$1,500 exemption** for dependent children under the age of 18.
- **Supplemental railroad annuities.**
- **\$1,000 exemption** for each individual age 65 or over and/or blind.
- **Additional \$500** for individuals aged 65 or over with AGI less than \$40,000.
- **Military retirement** or **survivor's military service benefits** for individuals at least 60 years old up to \$2,000.
- **Military income** up to \$2,000.
- **Federal civil service annuity income** for individuals over 61, less any social security or railroad retirement income, up to \$2,000.
- **Disability retirement:** portion of income received by an individual who is less than 65, retired, and is permanently and totally disabled.
- **Federal social security** and **railroad retirement benefits** included in a taxpayer's federal gross income.
- **Rent** up to \$2,500.
- **Income** up to \$2,000 subject to an income tax by a political subdivision of another state.
- **Home insulation expense** up to \$1,000 for installations.
- **Net operating losses** derived from sources outside of Indiana.
- **Unemployment compensation:** partial deduction based on a formula.
- **Federal employee paid leave.**
- **Foreign source dividends.**
- **Enterprise Zone adjusted gross income deduction** for a qualified employee working and living in an enterprise zone equal to the lesser of 1/2 of earnings or \$7,500.
- Under certain circumstances, income of individuals residing in **county homes** is no longer subject to the Individual Income Tax.
- **Prize money** from the Indiana State Lottery for prizes \$1,200 or less.
- **Crime Stoppers Award** up to \$1,000.
- **Export income:** A portion of a taxpayer's adjusted gross income attributable to income earned in maritime opportunity districts.

- **Employee medical care savings accounts deposits.**
- **Property taxes** paid for an individual's principal place of residence up to \$2,500.
- **Qualified long term care insurance premiums.**
- **Holocaust settlement payments.**
- **September 11th compensation payments.**

RATE: 3.4%

CREDITS:

- **Biodiesel Production:** \$1.00 per gallon of biodiesel, and \$0.02 per gallon of blended biodiesel (petroleum diesel blended with at least 2% biodiesel), produced at an Indiana facility after January 1, 2004. The total for each credit for all taxpayers and all taxable years may not exceed \$1,000,000.
- **Biodiesel Sales:** \$0.01 per gallon of blended biodiesel (petroleum diesel blended with at least 2% biodiesel) sold by Indiana retailers after January 1, 2004. Total credits for all taxpayers and all taxable years may not exceed \$1,000,000.
- **Buddy System Project:** \$100 per unit of qualified computer equipment donated to school service centers.
- **Capital Investment:** 14% of the value of qualified investment in a business project having an estimated total cost of at least \$75 M and located in Shelby County. The tax credit must be taken over at least a 7-year period.
- **Coal Combustion Product:** \$2 per ton of increased acquisitions during the taxable year of coal combustion products obtained and used by a manufacturer. Total credits may not exceed \$2,000,000 in a fiscal year.
- **Community Revitalization Enhancement District, Industrial Recovery, Military Base Recovery:** percent of qualified investments made in these areas as approved by Enterprise Zone Board or Department of Commerce.
- **Earned Income Tax Credit:** 6% of Federal Earned Income Credit received by taxpayer in 2003, 2004, and 2005. The credit expires December 31, 2005.
- **Economic Development for Growing Economy:** incremental income tax withholdings of new employees as approved by the EDGE Board.
- **Enterprise Zone:** allowed for increased employment expenditures equal to the lesser of 10% multiplied by the increased wages, or \$1,500 multiplied by the number of qualified employees.

- **Enterprise Zone Investment Cost:** percent of qualified investment in a business located in a zone as approved by the Department of Commerce.
- **Enterprise Zone Loan Interest:** allowed for interest received from qualified loans.
- **Ethanol Production:** \$0.125 per gallon of ethanol produced after January 1, 2004, at qualified Indiana facilities certified as eligible to receive the credit by the Indiana Recycling and Energy Development Board. Total credits per taxpayer may not exceed \$5.0M; and total credits to all taxpayers in all taxable years may not exceed \$10.0M.
- **Historic Rehabilitation:** 20% of qualified expenditures as approved by DNR. The maximum statewide credit may not exceed \$450,000 annually, except for FY 98 and FY 99 when the cap was \$750,000.
- **Hoosier Business Investment:** an amount equal to the lesser of either 30% of qualified business investment directly related to expanding the workforce in Indiana or the taxpayer's state tax liability growth for tax years 2004 and 2005. Effective July 1, 2003. Credits approved by the EDGE Board.
- **Income taxes paid to other states:** up to 3.4% of the income taxed by other states.
- **Indiana colleges and universities:** one-half of contributions to institutions of higher education up to \$100 (\$200, joint return).
- **Individual Development Account:** 50% of the amount contributed to a fund if contribution is not less than \$100 or more than \$50,000.
- **Maternity Home:** up to \$3,000 per home, may not exceed \$500,000 annually.
- **Neighborhood Assistance:** one-half of amounts used in approved programs, up to \$25,000. Total tax credits may not exceed \$2,500,000 in a fiscal year.
- **Prison Investment:** one-half of any capital investment and one-quarter of any wages paid by a business that hires adult offenders within correctional facilities; the maximum tax credit per employer is \$100,000.
- **Property Taxes Paid on Homesteads:** an amount for property taxes paid on the taxpayer's principal place of residence, provided the taxpayer's earned income is less than \$18,600, the taxpayer owns the residence, the residence is located in Lake County, and the taxpayer does not claim the income tax deduction for property taxes paid on the residence.

- **Rerefined Lubrication Oil Facility:** percent of property taxes paid each year on real property containing a rerefining facility and personal property used in the rerefining process as determined by the Department of Commerce. The credit is 100% for taxes paid in 2001, declines to 20% for taxes paid in 2005, and expires in 2006.
- **Research Expense:** for certain qualified research expenses incurred before January 1, 2013.
- **Residential Historic Rehabilitation:** 20% of qualified expenditures as approved by DNR for the preservation or rehabilitation of the taxpayer's principal residence. The maximum statewide credit may not exceed \$250,000 annually.
- **21st Century Scholar Program:** one-half of contributions up to \$100 for individual (\$200, joint return)
- **Unified Tax Credit for Elderly:** declining refundable credit for individuals with adjusted gross income less than \$10,000, the value of the credit depending on income and marital status.
- **Venture Capital Investment:** 20% of annual qualified venture capital investment up to \$500,000 for investment between 2004 and 2008. Total new credits awarded may not exceed \$10M annually.
- **Voluntary Remediation:** qualified investment in voluntary remediation incurred before January 1, 2006. The credit is equal to the lesser of either \$100,000 or 10% of the qualified investment. Total tax credits may not exceed \$1,000,000 in a fiscal year.

PROCEDURE: 3.4% of wages of employees are withheld by employers and paid to the Department of State Revenue either by the 20th day after the end of the month or quarterly, depending on the amount of total withholding. Upon the request of a pensioner, the person paying the pensioner shall withhold income tax.

All other income is reported annually with provisions for quarterly estimated tax payments. Annual taxpayer returns are due April 15.

ADMINISTRATION: Income Tax Individual Section,
Compliance Division, Dept. of State Revenue

REVENUE:	FY 1999	\$3,699,316,536
	FY 2000	\$3,753,339,515
	FY 2001	\$3,779,805,446
	FY 2002	\$3,540,819,068
	FY 2003	\$3,644,159,446

DISTRIBUTION: 86% to the state General Fund and 14% to the Property Tax Replacement Fund.